Budgeting for Assessors

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Assistant Director, Budget Division
August 2017
Overview

- Budgeting Basics
- Fund Structure (or Fund Types)
- Budget Structure (Accounting Structure)
- Budget Process
- Budget Presentations
- Controls and Limits
- Local Officials Roles in Process
DLGF

- DLGF is one of the older state agencies.
- Previously known as the State Board of Tax Commissioners.
- Mission is to ensure fair and equitable system of property assessment and taxation.
- Our most visible division is the Budget Division, which annually certifies all property tax levies and rates in the State.
Definitions
Budgeting Terms

• Definition of “Budget”
  • A budget is a financial plan that includes both revenues and expenditures for a specified period of time. It’s a legally binding financial plan.

• Purpose of Budgeting
  • A budget allocates financial resources within a government to fund the operating and capital needs. The budget should be a communications device for officials to openly discuss with the public the operations, priorities, and costs.
Definition of Appropriation:

- The legal authority from a fiscal body to spend or enter into obligations. That authority is within certain controls, such as the amount within a fund, the amount by a department, and a limited amount within an allowed type of expense.
• Definition of “Net Assessed Value”
  • The “net” total taxable property value in a jurisdiction. This is the total value of all property less any exempt property minus any deductions such as a homeowners deduction. Assessed value is the “tax base” of a geographic area.
  • Gross assessed value minus deductions equals “net assessed value.”
Budgeting Terms

- Property Tax Rate – A ratio between the net assessed value and the tax levy. The tax rate multiplied times the assessed value (per $100) results in the amount of taxes the unit will charge (levy).

Levy = Tax Rate X (Net Assessed Value/$100) or Tax Rate = Levy/(Assessed value/100)
Budgeting Terms

- Property Tax Levy –
  1. The amount of tax a government charges property owners or,
  2. The amount of tax revenue generated for government from taxable property.
Budgeting Terms

• Maximum Property Tax Levy or “Max Levy”:
  • Property tax levies to local governments are allowed to increase no more than the 6 year average increase in non-farm personal income. This increase is usually between 2% and 4%.
  • Also referred to as the “frozen levy” or “controlled levy.”
  • Excludes debt service funds or voter approved referendums.
Basics of Budgeting

• Budget Controls
• State level of control is by fund and total for tax supported funds.
• Control at the local level is established by ordinance or resolution and at the fund, department, and major classification level.

• Penalties – IC 6-1.1-18-10
• If the proper officer makes an excessive appropriation they are guilty of malfeasance in office and liable for 125% of the amount.
Funds
Funds

- A fund is a separate account for specific revenues and expense.
  - Intent is to separate dedicated fees and charges and use only for intended purpose.

- Types of Funds
  - General Fund
    - Includes all operating costs and revenues not required to be included in another fund.
    - This fund is for the general provision of government services and not designated for specific purposes.
    - Funds most activities of the government.
• **Special Revenue Funds**

  • Used to account for revenues reserved or designated for specific purposes.
  
  • By definition: Reassessment is a Special Revenue fund.
  
  • Special Revenue also includes User Fee Funds
    • Ex: Accident Report, Gun Permit, and Law Enforcement Training Funds.
Funds

- **Capital Funds**
  - Primarily used for acquisition or construction of fixed assets or equipment including fleet.
  - Construction Fund from bond proceeds.
  - Cumulative Capital Funds can be used to accumulate cash for future planned expense. Also may be used to purchase equipment, vehicles, land, and buildings.

- **Debt Service Funds**
  - Used to make principal and interest payments.
  - Usually supported by property tax or income tax.
IC 6-1.1-4-27.5 Establishing and Increasing Levy
Sec. 27.5. (a) The auditor of each county shall establish a property reassessment fund. The county treasurer shall deposit all collections resulting from the property taxes that the county levies for the county's property reassessment fund.
(b) With respect to a reassessment of real property under a county's reassessment plan under section 4.2 of this chapter, the county council of each county shall, for property taxes due each year, levy against all the taxable property in the county an amount equal to the estimated costs of the reassessment under section 28.5 of this chapter for the group of parcels to be reassessed in that year.
IC 6-1.1-4-27.5 Increasing Levy (Continued)
(c) The county assessor may petition the county fiscal body to increase the levy under subsection (b) to pay for the costs of:

(1) a reassessment of one (1) or more groups of parcels under a county's reassessment plan prepared under section 4.2 of this chapter;

(2) verification under 50 IAC 27-4-7 of sales disclosure forms forwarded to the county assessor under IC 6-1.1-5.5-3; or

(3) processing annual adjustments under section 4.5 of this chapter. The assessor must document the needs and reasons for the increased funding.

(d) If the county fiscal body denies a petition under subsection (c), the county assessor may appeal to the department of local government finance. The department of local government finance shall:

(1) hear the appeal; and

(2) determine whether the additional levy is necessary.
Reassessment Fund

IC 6-1.1-4-28.5 Property reassessment funds; use of money; soil maps

Sec. 28.5. (a) Money assigned to a property reassessment fund under section 27.5 of this chapter may be used only to pay the costs of:

1. the general reassessment of real property under section 4 of this chapter or reassessment of one (1) or more groups of parcels under a county's reassessment plan prepared under section 4.2 of this chapter, including the computerization of assessment records;
2. payments to assessing officials and hearing officers for county property tax assessment boards of appeals under IC 6-1.1-35.2;
3. the development or updating of detailed soil survey data by the United States Department of Agriculture or its successor agency;
Reassessment Fund

(4) the updating of plat books;
(5) payments for the salary of permanent staff or for the contractual services of temporary staff who are necessary to assist assessing officials;
(6) making annual adjustments under section 4.5 of this chapter; and
(7) the verification under 50 IAC 27-4-7 of sales disclosure forms forwarded to:
(A) the county assessor; or
(B) township assessors (if any);

under IC 6-1.1-5.5-3
IC 6-1.1-4-28.5 Property reassessment funds; use of money; soil maps

Money in a property tax reassessment fund may not be transferred or reassigned to any other fund and may not be used for any purposes other than those set forth in this section.

(b) All counties shall use modern, detailed soil maps in the reassessment of agricultural land.
IC 6-1.1-4-28.5 Property reassessment funds; use of money; soil maps

(c) The county treasurer of each county shall, in accordance with IC 5-13-9, invest any money accumulated in the property reassessment fund. Any interest received from investment of the money shall be paid into the property reassessment fund.

(d) An appropriation under this section must be approved by the fiscal body of the county after the review and recommendation of the county assessor. However, in a county with a township assessor in every township, the county assessor does not review an appropriation under this section, and only the fiscal body must approve an appropriation under this section.
Reassessment Fund

- Relationship with the General Fund
  - Both funds are within the same maximum levy control;
    - If county is at the maximum levy, then increasing one funds levy will decrease the other;
  - Expenses not allowed in the Reassessment Fund are posted to the General Fund;
  - Fund balance in Reassessment Fund is not allowed to be transferred to another fund.
Reassessment Fund

- Reassessment budget and levy may be adopted by fiscal body as presented or it may be reduced. Reasons for change may be:
  - County funds are over the maximum levy;
  - May determine funding is sufficient at a different level;
  - More funding may be needed in general fund for other purposes.
Reassessment Fund

Possible reactions to modifications to reassessment budget could include:

- Accept the changes;
- Work with the auditor and council for an alternative;
- Seek additional funding from the general fund; or
- Appeal to DLGF for reinstatement.
Budgets
Budget Structure

- Budget and accounting is organized in a structure by fund, department, and major classification.

<table>
<thead>
<tr>
<th>DEPARTMENT: 0008 COUNTY ASSESSOR</th>
<th>Budget Report</th>
<th>Fund: 0008 GENERAL</th>
<th>Department: COUNTY ASSESSOR</th>
<th>Category</th>
<th>Advertised Amount</th>
<th>Adopted Amount</th>
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<tr>
<td>PERSONAL SERVICES</td>
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<td>SUPPLIES</td>
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<td>$</td>
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<td>CAPITAL OUTLAY</td>
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<td>$</td>
<td>$</td>
<td>$</td>
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<tr>
<td>DEBT SERVICE</td>
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<td>$</td>
<td>$</td>
<td>$</td>
<td></td>
<td></td>
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<tr>
<td>PROPERTY TAX CAP</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
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<td><strong>TOTAL</strong></td>
<td><strong>$0</strong></td>
<td><strong>$0</strong></td>
<td><strong>$0</strong></td>
<td><strong>$0</strong></td>
<td></td>
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</table>

Totals by Fund
- Advertised Amount Total: $0
- Adopted Amount Total: $0

Totals by Unit
- Advertised Amount Total: $0
- Adopted Amount Total: $0
Budget Structure

- Budget is also organized in a structure by fund, department, and line item of expenditure:
Budget Structure

• Budgets are structured to provide legal controls and accountability.
  • Designed so money is used by and for what it was intended.
  • Provide information to the public.
  • Guide and control operations (plan).
  • Provides units with the ability to amend original budget to adjust for changing priorities and emergencies.
Budget Process

- DLGF issues budget memos and instructions in late spring.
- Local officials may guide their budget development process by issuing guidelines and then having budgets submitted by departments.
- Budget is presented to fiscal body (council).
- Fiscal body adopts budget by Nov. 1.
- Adopted budget submitted to DLGF for review and certification of tax rates.
- Budget covers 18 month cycle.
Budget Process Overview

**June 2017**
Settlement and distribution of property taxes to the units. Assessors certify gross AV to auditor.

**May 2017**
Property taxes collected. May 10 – 1st installment November 13 – 2nd installment.

**March 2017 – April 2017**
County auditor prepares Abstract of Taxes, county treasurer mails property tax statements.

**June – July 2017**
Budget instructions distributed to all departments and offices. Fiscal officer begins to compile data and prepare budget.

**August – Sept 2017**
AVs certified to DLGF by August 1. Fiscal officer prepares online public notices for Hearings on budgets, rates and levies.

**October 2017**
October 22 – Last day to hold public hearing on budget.

**November 2017 – February 15, 2018**
DLGF reviews budget material and issue 1782 Notices, and certify 2018 budget orders.

**November 2017**
November 1 – Last day for units to adopt 2018 budget. November 3 – Last day for civil units to file adopted budgets with county auditor.

**November 2017 – February 15, 2018**
DLGF reviews budget material and issue 1782 Notices, and certify 2018 budget orders.
Steps to Prepare Budgets:

- Review current spending levels;
- Analyze payroll records;
- Review all contractual obligations;
- Auditor may provide instructions for/if there are charges for county services (i.e., rent);
- Auditor may provide budget guidelines with instructions for salary increases, fringe benefits, and other variable costs.
Preparing Your Budget (TIPS)

- Always count the number of pay periods in the coming year.
- Budget for full staffing levels unless otherwise directed.
- Assume a slightly higher percent of employees subscribing to family health insurance plans.
- Work with your fiscal officer to develop budget guidelines to follow while developing the budget.
- Be conservative when estimating revenues.
Preventing Your Budget (TIPS)

• Assessor may appropriate from the general fund or the reassessment fund;
• Reassessment fund may be used for:
  • Reassessment of one or more parcels;
  • Verification of sales disclosure forms; and
  • Processing of annual adjustments (IC 6-1.1-4-27.5)
• General fund may be used for any governmental purpose not required to be accounted for in another fund.
Preparing Your Budget

• Budgets are submitted to the DLGF online via the “Gateway.”
• To find your departments original budget, follow these steps:
• Go online to http://www.in.gov/dlgf/index.htm
Preparing Your Budget

An Open Door into Local Government Finance

Gateway collects and provides access to information about how taxes and other public dollars are budgeted and spent by Indiana’s local units of government.
Preparing Your Budget

Gateway INDIANA for government units

Report Builder: Government Financial and Tax Reports

Local governments are required by state law to submit reports to the State of Indiana. A significant number of those reports related to taxing, budgeting, and spending are now collected and available for public viewing through Gateway. Explore by unit or by report type.

Select by Unit
Type in the name of a local government unit:

Select by Report Type

- Annual Financial Report
  - Multiple reports detail the receipts and expenditures of each local government unit, reflecting income and expenditures for a full calendar year. The primary purpose is to assist in the auditing of government units.
- Assessed Value
  - The Certified Net Assessed Value (CNAV) data provides information on the tax base.
- Budgets
  - Every local government unit with authority to levy a property tax must submit a budget for the coming calendar year to OLIG, which has the responsibility to review and certify budgets and set tax levies and tax rates.
- Collective Bargaining
  - Each public school corporation is required to report on their collective bargaining with the Indiana Education Employment Relations Board. Gateway is now being used to collect and publish these data.
- Employee Compensation by Unit
  - The Certified Report of Names, Addresses, Duties, and Compensation of Public Employees (Form 100R) provides taxpayers with compensation information for public employees of state and local government.
- Entity Annual Report
  - Financial reports from organizations that receive financial assistance from governmental sources (federal, state, or local).
- Local Development Agreements
  - Gaming establishments may have local development agreements with various groups in their area. These are reported to the Indiana Gaming Commission each year along with the amount dispersed.
- Property Tax
  - Property taxes are a primary source of funding for local governments. These summary reports provide an overview of the property taxes paid and distributed.
- Redevelopment Commissions
Preparing Your Budget

Gateway Indiana for government units

Budgets

Every local government unit with the authority to levy a property tax must submit a budget for the coming calendar year to the Indiana Department of Local Government Finance, which has the responsibility to review and certify budgets and set tax levies and tax rates.

Learn more about these data >

Select a Report

- Budget Estimate - Financial Statement - Tax Rate
  Based on data collected on Budget Form 4-B. Report displays budget and revenue estimates, June 30 cash balances, and tax rates and levies by fund as advertised and adopted by the local unit. Certified amounts are available after DLGF budget review.

- Budget Summary
  Based on data collected on Budget Form 4-A. Report displays budget estimates by fund, department, and expenditure category as advertised and adopted by the local unit.

- Line-item Budget Estimate
  Based on data collected on Budget Form 1. Report displays itemized budget estimates for each fund and department as advertised and adopted by the local unit.

- Estimate of Miscellaneous Revenue
  Based on data collected on Budget Form 2. Report displays estimates of all revenues except property taxes by fund as submitted by the local unit. Revenue estimates used in calculating certified budgets are available after DLGF budget review.

- Notice to Taxpayers of Budget Estimates and Tax Levies
  Budget Form 3 is the advertisement published in local newspapers concerning the budgets and levies which are to be raised in the ensuing year. In addition, this form notifies taxpayers of the dates and locations of the public hearing and budget adoption meeting.

- Cash Balance as a Percent of Budget
  Compares June's cash on hand to budget across geographies.

- Certified Budget, Levy, Rate
- Certified Budget Comparison
- Compare Units' Total Budgeted Spending/Expected Revenue
Preparing Your Budget

- Use drop down arrows to select county, year, unit type (city), unit, and fund. Then, View Report.
Preparing Your Budget

You will see the original line item budget.

Scroll down until you find your department.
Preparing Your Budget

- You will find the line item budget for your department as it was originally submitted and approved.
Preparing Your Budget (TIPS)

- Budget covers 18 months of cash flow so you can reduce spending this year to supplement next year's budget.
- Review contractual obligation for benefits.
- Compare Y-T-D spending levels to budget.
- Look for areas of under spending and over spending – if necessary force under spending.
- Under spending can be saved or transferred to other areas.
- Transfers may require an ordinance or resolution.
Managing Your Budget

• Review the type of reports you receive from your fiscal officer at least monthly;
• Review spending in each category;
• Annualize spending levels either month to date or quarter to date and compare to annual budget;
• Realize some spending is not in regular intervals, i.e. rent or capital purchases;
• Anticipate inflation and allow for contingencies.
## COUNTY EXPENSE REPORT

<table>
<thead>
<tr>
<th>Classification:</th>
<th>Personal Services</th>
<th>Budget</th>
<th>Y-T-D Expense</th>
<th>Available Budget</th>
<th>Available % Budget</th>
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</thead>
<tbody>
<tr>
<td>Regular Salaries</td>
<td>275,000</td>
<td>26,125</td>
<td>248,875</td>
<td></td>
<td>90.5%</td>
</tr>
<tr>
<td>Part-Time</td>
<td>15,000</td>
<td>1,500</td>
<td>13,500</td>
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<td>90.0%</td>
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<tr>
<td>FICA</td>
<td>22,185</td>
<td>1,999</td>
<td>20,186</td>
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<td>91.0%</td>
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<tr>
<td>Health Ins.</td>
<td>39,875</td>
<td>3,788</td>
<td>36,087</td>
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<td>90.5%</td>
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<tr>
<td>Life Ins.</td>
<td>40,000</td>
<td>15,000</td>
<td>25,000</td>
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<td>62.5%</td>
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<tr>
<td>Pension</td>
<td>19,250</td>
<td>1,829</td>
<td>17,421</td>
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<td>90.5%</td>
</tr>
<tr>
<td>Total Personal Services</td>
<td>411,310</td>
<td>50,240</td>
<td>361,070</td>
<td></td>
<td>87.8%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Classification:</th>
<th>Supplies</th>
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</thead>
<tbody>
<tr>
<td>Copy Paper</td>
<td>175</td>
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<tr>
<td>Drafting Paper</td>
<td>145</td>
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<tr>
<td>Pens</td>
<td>50</td>
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<tr>
<td>Pencils</td>
<td>85</td>
</tr>
<tr>
<td>Tape</td>
<td>75</td>
</tr>
<tr>
<td>Copier Toner</td>
<td>400</td>
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<tr>
<td>Notebooks</td>
<td>125</td>
</tr>
<tr>
<td>Folders</td>
<td>60</td>
</tr>
<tr>
<td>Writing Tablets</td>
<td>80</td>
</tr>
</tbody>
</table>
Managing Your Budget

• Items With Variable Spending Patterns:
  • Wages (varies with staffing levels and hours worked)
  • Over-time
  • Fuel (varies by gallons used and price)
  • Travel
  • Supplies
  • Legal Fees
  • Equipment
Budget Revisions

- Officials can amend budgets by adopting ordinances or resolutions that may:
  - Increase or decrease appropriations,
  - Transfer appropriations from one classification to another. (For example: transfer budget dollars from supplies to capital.)
  - Increases, decreases, and transfers require passage of a resolution or an ordinance by fiscal body in a public meeting.
- Very few provisions in Indiana Code allow for the transfer of cash from one fund to another.
Budget Revisions

- Budget revisions may increase appropriations;
- Limited to available funding;
- Additional appropriations from tax supported funds, MVH, LR & S, and rainy day funds also require DLGF approval;
- Requires a public notice, hearing and passage of an ordinance or resolution;
- Occasionally, budgets need to be reduced to reflect reduced amounts of resources;
- For instance, a town may only receive 90% of the property tax they anticipated.
Budget Revisions

• Appropriation transfers;
• Transfers within the same fund and department, but between major classifications:
• Transfers do not change the amount appropriated within a fund and department.
• Requires a public notice and hearing.
• These transfers do not require approval by the DLGF.
• Appropriation transfers within the same department, fund and major classification do not require fiscal body action.

• Examples:
  • Transfer from health insurance premiums to pension contribution, or
  • Transfer from part-time wages to full-time.
Budget Amendments

- Fund transfers:
  - Defined as a transfer of cash from one fund to another.
  - Cities, towns, and counties are allowed to pass ordinances or resolutions allowing transfers of funds from rainy day fund to other appropriated funds.
  - Transfer of funds are reported to the DLGF.
  - Once the funds are transferred they still require an appropriation in order to spend.
  - Transfers from Reassessment Fund are NOT allowed.
Financials
Fiscal Limits

- Budgets are limited to the amount of available fund balances.
  - Fund balance = cash minus obligations
- Property tax levies are “controlled” and can only grow by a 2% to 5% average per year with few exceptions.
- Property tax bills are limited by circuit breaker credits (or tax “caps”) which are 1% for homesteads, 2% for non-homestead residential, and 3% for industrial and commercial – Impact will vary.
Fiscal Limits

- Property tax increases are controlled, or limited by the state statute.
- Controls are also known as “frozen levy”.
- Levy is not frozen, but increases are limited to the maximum amount allowed in the previous year plus a growth quotient – AVGQ (usually 2%-5%).
- There are exceptions to the controls such as debt service payments (bonds) and leases.
- Those exceptions could be substantial and eventually led to circuit breakers or tax caps.
Property Tax

- National polls show that property tax is the 2nd most hated tax – 2nd only to federal income tax.
- Property tax is “regressive”
  - That is it has no regard for income levels and is more harmful to lower incomes.
- Property owner has very little control over the amount of the tax or where it goes.
- Not paying the tax will result in the loss of the property to the county.
Property Tax

• Amount of property tax is based on the assessed value of property and the tax rate charged:

• Tax Levy = Tax Rate X (AV/100)

• For many governmental units in Indiana, property tax is the largest source of revenue.
Property Tax Rates

- Property Tax rates are charged by numerous local governments*:
  - County 0.6650
  - City 0.7700
  - Township 0.1400
  - School 1.5400
  - Libraries 0.1400
  - Other 0.2450
  - Total 3.5000

* Rates vary depending upon the location of the property.
### Property Tax Bills

- **Example with Circuit Breaker Effect:**
  - **Gross Assessed Value**: $150,000
  - **Less Homestead Deduction**: 45,000
  - **Less Supplemental Homestead (35%)**: 36,750
  - **Less Mortgage Deduction**: 3,000
  - **Net Assessed Value**: $65,250

- **Tax Rate (per $100)**: 3.5000
- **Taxes**: $2,284

- **Circuit Breaker Calculation (Gross AV times 1%)**: $1,500
- **Circuit Breaker Credit = ($1,500-$2,284 =)**: $(784)

- **Taxpayer saves $784 per year due to Circuit Breaker.**
Circuit Breakers

- Important Points Regarding Circuit Breakers:
  - Circuit Breakers are property taxpayer protections.
  - Overwhelmingly approved by voters.
  - Governments that experience Circuit Breaker Credits will have reduced property tax collections.
  - Reductions are allocated proportionately to all funds that levy property taxes.
  - Tax revenues reduced by Circuit Breaker Credits cannot be recovered by other property taxes.
  - Tax increases approved by voter referendum are exempt from Circuit Breaker protection.
Where Property Taxes Go
(Average of Property Tax Rates After Tax Reform-2010)
Budget Presentation
Budget Presentation

• Have a clear message
  • Clearly and briefly state your goals.
    • Have at least three major points.
      • Supporting statements for each major point.
      • Include statistics & data to support position.
    • Explain why those are your goals.
      • Emphasize goals and major points.
      • Provide supporting data explaining why these goals are good public policy for your community.
  • Make it suitable as a press release.
Budget Presentation

- Financials:
  - Provide multi-year annual expenses.
  - Describe major changes in the budget.
  - Level of detail is up to you, fiscal officer, or possibly even local tradition.
  - Verify accuracy of the financials.
  - Fiscal body may request additional details or more information.

- It’s within their authority and responsibility since they levy the taxes.
Roll of Other Officials in Budget Process

- Clerk treasurer or controller prepares.
- Unit executive (mayor or manager) proposes.
- City or town council approves.
- County auditor prepares county budget, certifies AV, and distributes taxes to all units.
- County treasurer bills and collects taxes.
- DLGF certifies budgets, rates, and levies.
- State Board of Accounts audits the unit.
For More Information

- Dan Jones, Assistant Director
  - Phone: (317) 232-0651
  - Email: djones@dlgf.in.gov
- News releases from the DLGF
  - www.in.gov/dlgf
- Contact the DLGF
  - (317) 232-3777